



BLUEGRASS STATE SKILLS CORPORATION

SKILLS TRAINING INVESTMENT CREDIT ACT GUIDELINES

FY 2013-2014



Cabinet for Economic Development
Bluegrass State Skills Corporation
Old Capitol Annex
300 West Broadway
Frankfort, Kentucky 40601
Telephone: (502) 564-2021
Fax: (502) 564-7697
ced.bsscgrp@ky.gov
www.thinkkentucky.com/bssc

Robert L. Curry
Executive Director
E-mail: robertl.curry@ky.gov

Joshua Benton
Email: joshua.benton@ky.gov

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INTRODUCTION

The Bluegrass State Skills Corporation (BSSC) was established in 1984 by the General Assembly of the Commonwealth of Kentucky as an independent, de jure corporation to stimulate economic development through customized business and industry-specific skills training programs. The BSSC works with business and industry and Kentucky's educational institutions to establish programs of skills training. The BSSC is attached to the Cabinet for Economic Development for administrative purposes in recognition of the relationship between economic development and skills training efforts.

An eighteen-member Board of Directors, including representatives of business, government, education, and labor, governs the BSSC. The Board is made up of private sector individuals as well as public officials. The public officials, who serve as ex-officio members on the Board, include the Secretaries of the Cabinet for Economic Development, Education Cabinet, and Labor Cabinet, as well as the President of the Council on Post-secondary Education, the President of the Kentucky Community and Technical College System, and the Commissioner of the Department of Workforce Investment.

The purpose of the BSSC is to improve and promote employment opportunities for the residents of the Commonwealth through agreements for skills training programs.

The BSSC's four main functions are:

- ◆ To administer and fund Kentucky's customized business and industry-specific training efforts through agreements for Grant-In-Aid and Skills Training Investment Credit projects that are approved by the BSSC Board of Directors;
- ◆ To act as a broker by coordinating the resources of providers of skills training and employment services;
- ◆ To facilitate the creation of public/private partnerships through education and training programs designed to meet unfilled training needs of individual and multiple company (training consortia) training projects; and
- ◆ To administer any special state appropriations for customized business and industry-specific training.

APPLICATION SUBMISSION AND BOARD MEETING SCHEDULE

The schedule for submission date deadlines of tax credits for approval, documentation for final approvals and BSSC Board of Directors meetings are as follows:

SUBMISSION DEADLINE	BOARD MEETING DATE
June 17, 2013	July 31, 2013
August 15, 2013	September 25, 2013
October 15, 2013	December 4, 2013
December 16, 2013	January 29, 2014
February 18, 2014	March 26, 2014
April 15, 2014	May 28, 2014

*** The deadline for final approval documentation for the December 4, 2013 board meeting will be October 30, 2013.**

All meetings will begin at 1:00pm and will be held at the Kentucky Transportation Cabinet Conference Center in Frankfort. Notices of the meetings will be published in advance of the meetings. The BSSC reserves the right to schedule, reschedule, or cancel a board meeting at its discretion.

EFFICIENCY STATEMENT

The Bluegrass State Skills Corporation continuously strives to be a good steward of the precious resources that are provided by the Commonwealth to meet its mandate to create economic opportunity. Given the current budget constraints placed on Kentucky state government, we realize the ever-increasing importance of ensuring that the resources entrusted to BSSC are used in the most efficient and effective manner. Therefore, BSSC strongly encourages applicant companies to shop around within the training provider community to confirm that the services they are soliciting are of the greatest value.

THE SKILLS TRAINING INVESTMENT CREDIT ACT

Kentucky's 1998 General Assembly enacted House Bill 280, the Skills Training Investment Credit Act that provides a credit against Kentucky income tax imposed by KRS 141.020 or 141.040 and the limited liability entity tax imposed by KRS 141.0401. Company as used herein means either a "qualified company" as defined under Qualified Companies; "preliminarily approved company" as defined under Preliminary Approval; or a company that has received "final approval" as defined under Final Approval. Only qualified existing companies are eligible for approval to receive investment credits through the BSSC. An approved company is any company seeking to sponsor an occupational or skills upgrade training program for the benefit of one or more of its employees. Occupational upgrade training includes employee training sponsored by a qualified company that is designed to prepare the employee for a promotional opportunity with that company. Skills upgrade training includes employee training sponsored by a qualified company that is designed to provide the employee with the skills training necessary to enhance productivity, improve performance and retain employment.

The investment credits allowed shall only be used by the company that has been awarded the credits in accordance with KRS 154.12-2084 to 154.12-2089. The investment credits provided for in this section shall be in addition to all other tax credits granted under the laws of the Commonwealth.

The investment credits, as awarded to the company having received final approval, may be carried forward for three successive fiscal years of the company. This may become necessary if the amount allowable as credits exceeds the income tax liability of the company during the initial fiscal year or three successive fiscal years.

Any expenditures of an approved company that constitute approved costs and are the basis for the investment credits pursuant to KRS 154.12-2084 to 154.12-2089 shall not be eligible as the basis for grant funding under Bluegrass State Skills Corporation Grant-In-Aid provisions in KRS 154.12-204 to 154.12-208 or the Local Government Economic Development Program under the provisions of KRS 42.4588 to 42.4595.

INVESTMENT CREDIT CAPS

The amount of investment credits awarded by the Bluegrass State Skills Corporation shall be the lesser of the following amounts:

1. Up to fifty percent (50%) of the amount of approved costs incurred by the approved company in connection with its program of occupational or skills upgrade training
2. \$500 per qualified employee (as defined under Qualified Employees)

In the aggregate, the maximum investment credit shall not exceed \$100,000 for each approved company per BSSC biennium.

QUALIFIED COMPANIES

Companies must be registered and in good standing with the Secretary of State's Office. A qualified company is any person, corporation, limited liability company, partnership, limited partnership, registered limited liability partnership, sole proprietorship, firm, enterprise, franchise, association, organization, holding company, joint stock company, professional service corporation, or any other legal entity through which business is conducted that has been actively engaged in any of the following qualified activities within the Commonwealth for not less than three (3) consecutive years immediately preceding the submission of the investment credit application:

- ◆ Manufacturing including the processing, assembling, production or warehousing of any property;
- ◆ Processing of agricultural and forestry products;
- ◆ Telecommunications*;
- ◆ Healthcare**;
- ◆ Product research and engineering;
- ◆ Tool and die and machine technology;
- ◆ Mining;
- ◆ Tourism and operation of facilities to be used in the entertainment, recreation and convention industry***; and
- ◆ Transportation in support of manufacturing.

* "Telecommunications" means the provision of telecommunications and telecommunication related services, primarily engaged in operating, maintaining, and/or providing access for the transmission of voice, data, text, sound, and video. Independent contractors engaged in the maintenance, installation, and use of broadcasting and telecommunications systems are not included in this definition.

** "Healthcare" is limited to Hospitals and/or Nursing Homes. A Nursing home is defined as a place devoted primarily to the maintenance and operation of facilities for the diagnosis, treatment, or care for more than twenty-four (24) hours of two (2) or more nonrelated individuals suffering from illness, disease, injury, deformity, or a place including nursing and convalescent homes and all institutions for the care of the sick, devoted primarily to providing, for more than twenty-four (24) hours, obstetrical or other medical or nursing care for two (2) or more nonrelated individuals.

*** "Tourism and operation of facilities to be used in the entertainment, recreation, and convention industry" means operation of a major convention or sports facility or operation of a recreational facility. "Recreational facility" means a facility that provides visitors recreational opportunities, including but not limited to, amusement parks, boating, hiking, horseback riding, hunting, fishing, camping, wildlife viewing, live theater, rock climbing, and all-terrain vehicle trails; *and* that also serves as a likely destination where individuals who are not residents of the Commonwealth would remain overnight in commercial lodging at or near the recreational facility.

Any company whose primary purpose is the sale of goods at retail shall not constitute a qualified company.

A qualified company *shall not* be entitled to receive preliminary approval of investment credits if the company requires that the employee (i.e. trainee) reimburse the employer or otherwise pay for any costs or expenses incurred in connection with occupational or skills upgrade training activities.

A company that has been found (adjudicated) to have committed a willful violation of a Kentucky Occupational Safety and Health Standard (OSHA) within three previous years is not eligible to apply for BSSC funds. If a company is approved for funding and is then found (adjudicated) to have committed a willful OSHA violation during the life of a BSSC tax credit, no credits will be permitted to the company from the date the willful violation is made known to the BSSC.

The BSSC shall only approve one application per BSSC biennium for each qualified company. A project may not be eligible if it is located in a tax increment financing district that has already pledged the corporate income tax credits to the tax increment financing project.

CO-APPLICANT

The application may be written and submitted by the company alone or submitted jointly with a co-applicant. A co-applicant must be either a public or non-public secondary or post-secondary educational institution, or an independent (private or proprietary) provider within the Commonwealth authorized by law to deliver a program of skills training or education.

QUALIFIED EMPLOYEES

A qualified employee is any person who meets all of the following criteria:

- ◆ Is a resident of the Commonwealth;
- ◆ Is currently a full-time employee of the qualified company; and
- ◆ Has been employed by the qualified company for the last 12 calendar months immediately preceding the filing of the application for investment credits by the qualified company.

A full-time employee is a Kentucky resident who is employed by the qualified company to work for a minimum of 35 hours per week during the most recently ended calendar year and is subject to the tax imposed by KRS 141.020. Full-time employees do not include contract or seasonal labor.

Pursuant to KRS 141.010(17): "Resident" means an individual domiciled within this state or an individual who is not domiciled in this state, but maintains a place of abode in this state and spends in the aggregate more than 183 days of the taxable year in this state.

Trainee Minimum Wage Rate and Benefits: A goal of the BSSC program is to stimulate economic development by establishing a minimum wage rate of 150% of the federal minimum wage (\$10.88 per hour). In addition to the applicable minimum hourly wage, the eligible company shall provide employee benefits equal to at least fifteen percent (15%) of the applicable minimum hourly wage for trainees on skills training investment credit applications to be considered by the board. The term "employee benefits" is defined as "payments by an approved company for its full-time employees for health insurance, life insurance, dental insurance, vision insurance, defined benefits, 401(k) or similar plans." If the eligible company does not provide employee benefits equal to at least fifteen percent (15%) of the applicable minimum hourly wage rate of \$10.88 per hour, the eligible company may qualify under this section if it provides the employees a total hourly compensation equal to or greater than one hundred fifteen percent (115%) of the applicable minimum hourly wage through increased hourly wages combined with employee benefits (\$12.51 per hour).

ELIGIBLE TRAINING PROVIDER

A company may choose to use in-house trainers, educational institution regular or adjunct faculty, training consultants, or a combination thereof. Companies are free to use any provider they choose. BSSC does not recommend, endorse, certify or advertise for any particular training providers. Training providers are not permitted to use the BSSC name in any of their advertisements, brochures, or other promotional materials for the purpose of soliciting or obtaining customers.

ELIGIBLE TRAINING COSTS

Specific occupational and skills upgrade training programs may be customized for a particular company to encompass one or more of the following eligible training activities and costs. The eligible training activities and costs incurred after preliminary approval are considered in determining the amount of approved costs and the amount of investment credits awarded by the BSSC (see Investment Credit Caps). **The application must contain a minimum of fifty percent (50%) of the training and/or wages for non-safety, non-mandated and/or non-regulatory training. No retroactive training will be approved.**

A. Educational Institution, Consultant and In-House Training

The company is eligible to receive credits for fees or salaries required to be paid to full-time, part-time, or adjunct instructors with an educational institution; instructors who are employees of the company; and instructors who are consultants on contract with a company, or a combination thereof in connection with an occupational or skills upgrade training program sponsored by a company. **(For eligibility, training must be a minimum of 30 minutes and may be claimed in increments of 15 minutes above the 30 minute minimum.)**

- ♦ **Company In-House Provided Instruction** – The company is eligible to receive credits at a rate of \$25 per hour for in-house instruction and curriculum development activities where company employees serve as in-house training instructors. The company shall provide a match of \$25 per hour for in-house instructor training costs. This match may be in the form of in-kind contributions such as company-paid wages to the trainer and trainees. The BSSC will also reimburse for curriculum development services. **(Note:** \$25 per hour as used herein is equal to fifty percent (50%) of the total eligible rate of \$50 per hour).
- ♦ **Curriculum Development** - The BSSC will provide credits for curriculum development to support in-house training activities based on a rate of five (5) development hours for each one (1) hour of instructional time included within an application. A company may use an Educational Institution or a Consultant for curriculum development for company in-house courses. The curriculum must be company specific and remain with the company. A copy of the curriculum must be submitted to the BSSC before final certification is issued. Modification to existing curriculum is not allowed as a separate charge.

B. Innovative Training Techniques

Modern technological advances have spawned a variety of innovative training techniques. The BSSC will approve credits for occupational upgrade or skills upgrade training that meets the needs of the company through: internet; teleconference; videoconference; video; CD-Rom; interactive software; or virtual simulation. No instructor hours are allowed during the process of using an Innovative Training Technique if the instructor is not actually providing training. (Example: If there is a 30 minute video presentation—no instructor hours are allowed for the 30 minute presentation time of the video).

C. Tuition Courses

The BSSC will provide tax credits for tuition courses when the course meets the needs of the company in the most cost efficient manner. Therefore, the company must provide written justification within the application that the request for approval of credits for tuition is the most cost efficient approach to meet the needs of the company and that the training is job related. Textbooks for approved tuition courses are allowed. Registration fees for annual meetings, conferences or seminars without proof of training are **not** eligible tuition activities. It is not the intent of the BSSC to provide funds for Continuing Education Units which are not job related. In addition, tuition courses which are for the sole purpose of obtaining a bachelor's or master's degree are not allowed.

D. Individual Assessment

Assessment activities are targeted toward pre-employment, entry level, and skills upgrade. These activities measure the competency levels of current and prospective employees to ensure that the skills training activities are customized in the most appropriate manner to meet the needs of the applicant. The assessment tool must be named in the application.

E. Certification, Licensing, and Trainer Development

To aid in building training capacity, the company is eligible to receive credits for certification, licensing and trainer development costs for company employees.

F. Instructional Materials, Texts and Supplies

The company is eligible to receive credits for the actual reasonable costs of instructional materials, texts and supplies used exclusively in an occupational or skills upgrade training program sponsored by a company. Instructional materials and texts include training manuals and text books in hard copy or electronic formats and instructional materials (overheads, photocopies, etc.). Supplies include paper, pencils, highlighters and easel pads. BSSC will only provide credits for shop training materials (welding rods, scrap metal, etc.) used for classroom instruction and not for on-the-job training activities.

G. Train-the-Trainer Travel

The primary purpose of train-the-trainer travel is to build the training capacity of Kentucky's businesses and industries. This activity involves training provided at an in-state company site; at an out-of-state or offshore company location; or equipment manufacturer in which a person employed by the company is being trained to become a training instructor for the company. In the preceding scenario, the company employee being trained as a trainer must be a Kentucky resident. Eligible train-the-trainer travel activities also include company employees that travel from other company locations to the company's Kentucky training site. Under this second scenario, the company employee who is already designated a trainer is not required to be a Kentucky resident.

The approved company is eligible to receive credits for travel expenses including round-trip transportation and lodging while on travel status, with the requirement that all other costs are to be paid by the company and/or the individual.

Applications for train-the-trainer travel shall include the following:

- ◆ Date(s) of training;
- ◆ City and state or country where training is to take place;
- ◆ Name of training organization indicating whether it is a parent or sister facility or equipment vendor location;
- ◆ Number of additional trainees to be trained
- ◆ Summary of activities; and
- ◆ Cost breakdown for transportation and lodging.

Transportation: Round-trip air transportation for international or domestic flights from the nearest major airport to the nearest host city served by a major airport is eligible, supported by receipts for documentation. Local ground transportation including rental car, taxi service, fuel expenses, or public transportation documented with receipts is also eligible. Van rental and/or fuel expense may be credited in lieu of air travel not to exceed the amount of lowest available airfare. In no case will the BSSC pay for other related travel costs including food, passports, phone calls, laundry, entertainment, sightseeing, gratuities, etc.

Lodging: The approved company is eligible to receive credits for lodging at actual rates not to exceed fifty percent (50%) of the Federal Per Diem rate (see www.GSA.Gov and select “Per Diem Rates” from the navigation bar for federal rates) for that location.

H. Educational Institution Service Fee For Pass-Through Investment Credits

A service fee not to exceed \$400 has been established to assist in offsetting expenses incurred by the educational institution participating in a pass-through project (i.e., company provided and consultant provided instruction).

If the company requires technical assistance from the educational institution in order to complete the application, a service fee of \$50 per hour up to \$400 can be paid to the educational institution by the company. The company is eligible to receive investment credits in an amount up to \$200 at final approval. Such technical assistance must be documented by specifying the type of assistance rendered and the amount of time spent. Invoices must be submitted directly to the applicant company in order to receive credit for the service fee. The BSSC reserves the right to reduce the service fee if the documentation is not complete and accurate upon submission. In the event that no approved activity occurs during the project, the applicant company is not eligible for credits of any service fee.

I. Employee Wages

The company is eligible to receive credits for employee (i.e. trainee) minimum wages to be paid while training during an occupational or skills upgrade training program sponsored by a company.

THE SKILLS TRAINING INVESTMENT CREDIT PROCESS

A. Submission of the Application

To apply for investment credits, a qualified company shall submit an application to the BSSC office before commencing its program of occupational or skills upgrade training. Completed and signed applications are due in the BSSC office by the schedule found under the Application Submission and Board Meeting Schedule of these guidelines. The BSSC reserves the right to reject any application that is incomplete or does not meet the conditions specified in these guidelines. In addition, an employee list is required with the submission of the application in electronic copy format acceptable to BSSC staff. This list shall include the employee’s full name, identification number, home address, and date of hire.

B. Preliminary Approval

After review of applications for investment credits, the Board of Directors of the Bluegrass State Skills Corporation may designate the qualified company as a “preliminarily approved company.” The Board takes action by preliminarily approving the amount of investment credits that the qualified company shall be eligible to receive. After the BSSC Board of Directors approves the training application, the company will receive notification of the approval along with an agreement to execute. Upon receipt of the executed agreement from the company, the agreement will be signed by the chairman and the executive director and becomes effective. No training for which tax credits will be requested may commence until after the Board has given preliminary approval.

The preliminarily approved company shall complete all programs of occupational or skills upgrade training within one year from the date of the preliminary approval of the investment credits by the BSSC and shall certify the date of completion of these programs. The BSSC may allow deviations from the original application with no written modification request if the approved amount of the investment credit does not increase and the change(s) is in accordance with the BSSC Guidelines.

The preliminarily approved company shall maintain in its employment the employees (i.e. trainees) receiving occupational or skills upgrade training for a minimum of 90 days following the completion of

the program of occupational or skills upgrade training. The company shall certify to the BSSC that the employees remained in its employment for the full 90 day period. The company must submit their request of Certification for Final Approval no later than six months following the training end date.

Priority consideration for preliminary approval shall be given to qualified companies that the BSSC determines to be "high performance" companies. A minimum of thirty percent (30%) of the total investment credits preliminarily approved by the BSSC during any fiscal year shall be awarded to qualified companies that have been designated as high performance companies. For purposes of these guidelines, "high performance company" means a company that has met and maintained the requirements for ISO or QS registration, Six Sigma, or the Baldrige criteria.

C. Final Approval

The company is responsible for notifying BSSC staff once the training is completed to initiate the final approval process. If notification is not received within one year after the date of preliminary approval, BSSC staff will contact the company and provide the requirements for final approval. Documentation for final approval must be sent within six months of the training end date, including submissions of employee and training listings in an electronic format acceptable to BSSC staff. A company may request an extension to the six month deadline. All extension requests should be in the form of a letter to the executive director giving thorough justification and a requested timeframe for the extension. The extension will not become effective until reviewed by BSSC staff and approved by the executive director. Upon receiving the required documentation, the BSSC staff prepares a summary sheet indicating that statutory requirements have been met. The board considers the summary sheet and approves or denies the request for final approval. If final approval is awarded, a Final Authorizing Resolution is signed and sent to the company with a copy sent to the Finance and Administration Cabinet, Kentucky Department of Revenue.

If one or more of the employees of the preliminarily approved company failed to continue in the employment of the company for 90 days following the completion of the training project, then the amount of the investment credits preliminarily approved for a company shall be reduced on a pro rata basis. The final amount of the investment credits awarded to the company shall not exceed the amount of investment credits that the approved company was preliminarily approved for by the BSSC prior to commencement of the training program. The investment credits awarded to the approved company, having received final approval, may be carried forward for three successive fiscal years of the company.

UNUSED PROGRAMMATIC CREDITS

The aggregate amount of investment credits preliminarily approved for all qualified companies by the BSSC for each fiscal year shall not exceed \$2,500,000. Investment credits that are not preliminarily approved by the BSSC by the end of each fiscal year (June 30) shall lapse and shall not be carried forward to a new fiscal year.

ORGANIZED LABOR

When a collective bargaining unit exists at the work site where the proposed training will be provided, the company shall provide written notification to the on-site collective bargaining agent of the company's intention to apply for investment credits through the BSSC. Notification shall include a summary of the proposed curriculum and shall occur prior to the time the company files the investment credit application with the BSSC. A copy of the notification indicating the date the notice was provided, the sender, and the recipient shall be filed with the application.

One of the goals of the BSSC is to promote cooperative training activities between a company and its employees. Therefore, an application will not be approved during a legal work stoppage and an active application will be postponed during a legal work stoppage.

Pre-employment inquiries, oral or written, as to a job applicant's prior or current union affiliation or sentiment concerning unions are prohibited under the National Labor Relations Act, 29 U.S.C., Section 1589(a)(1). Denying employment to a job applicant on the basis of union affiliation or sentiment constitutes illegal discrimination under the National Labor Relations Act, 29 U.S.C. 158(a)(3).

EQUAL OPPORTUNITY

Persons shall not be discriminated against in accordance with KRS 344.040. The BSSC is interested in training a diverse array of individuals under its programs. The BSSC has not set numerical goals for the types of individuals to be trained because it recognizes that the trainee profile of the individual training programs will vary depending upon the employee profile of the company.

APPLICATION SCORING

Applications for the Skills Training Investment Credit program are funded on a first come first served basis.